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RDT&E BUDGET ITEM JUSTIFICATION SHEET (R-2 Exhibit)									DATE February 1999	
APPROPRIATION/BUDGET ACTIVITY RESEARCH, DEVELOPMENT, TEST & EVALUATION, DEFENSE-WIDE, BUDGET ACTIVITY 6					R-1 ITEM NOMENCLATURE SBIR Administration PE 0605790D8Z					
<i>COST (In Millions)</i>	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	Cost to Complete	Total Cost
Total Program Element (PE) Cost	1.609	1.799	1.713	1.757	1.786	1.822	1.862	1.900	Continue	Continue
SBIR Administration No. P-518	1.609	1.799	1.713	1.757	1.786	1.822	1.862	1.900	Continue	Continue

A. Mission Description and Budget Item Justification

BRIEF DESCRIPTION OF ELEMENT: Under the Small Business Innovation Research (SBIR) program, DoD funds approximately \$550 million annually in mission-oriented R&D projects at small technology companies. The program has broad bipartisan backing in Congress, based on DoD's recent finding that "SBIR-developed technologies have resulted in significant improvements in U.S. military capabilities and major savings to the taxpayer," as well as favorable independent evaluations by the GAO, National Academy of Sciences, National Bureau of Economic Research at Harvard, and others.

PE 0605790D8Z is the only source of funds for the coordinated administration of the component SBIR programs within DoD, because the 1992 SBIR Act provided that "a Federal agency shall not use any of its SBIR budget...for the purpose of funding administrative costs of the program." PE 0605790D8Z funds central elements of SBIR program administration that are required by law and have been a standard part of the program since it was initiated at DoD in 1983, including:

- **Coordination, publication, and distribution of SBIR R&D solicitations**, as required by 15 U.S.C. 638(g)(2);
- **Monitoring of DoD-wide SBIR program expenditures**, to meet Congressionally-mandated reporting requirements in 15 U.S.C. 638(g)(8), (j)(2)(F), and (l)(2);
- **Sponsorship of national SBIR conferences**, which are the only existing forum for small technology companies to interact directly with DoD program and technical personnel, and thereby learn how to prepare research proposals that serve DoD's needs.

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This program element also funds recent USD(A&T) initiatives to develop and implement program improvements, including performance-based metrics of the program's effectiveness in spawning new products/technologies of benefit to DoD.

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PROGRAM ACCOMPLISHMENT AND PLANS:

FY 1998 Accomplishments: This budget item funded the coordination and publication of three SBIR/STTR research solicitations, as well as their distribution to over 30,000 potential applicants. The solicitations are the means, prescribed by statute, through which DoD describes its research needs and solicits research proposals from small technology companies. This budget item also funded the monitoring of DoD-wide SBIR program expenditures, as required by law, as well as DoD's annual reporting to Congress and the Small Business Administration on the operation of DoD's SBIR program. And this budget item funded two national SBIR conferences each attracting 800-1000 companies, in which the companies met directly with DoD scientists, contracting officers, and program managers, and learned how to prepare SBIR proposals and design research projects that will serve the DoD mission. In addition, this budget item funded USD(A&T) initiatives to streamline the SBIR process and facilitate participation in the program by companies not used to doing business with the government. Such initiatives included the creation and distribution of an SBIR desk reference for DoD contracting officers and technical personnel, the operation of an SBIR Help Desk (800/382-4634) for program participants, the operation of an SBIR Home Page, and other projects. Lastly, it funded the first stage of a USD(A&T)-directed evaluation of DoD's new SBIR "Fast Track" policy, under which small businesses that attract matching funds from outside investors receive a significantly higher probability of SBIR award. (\$1.609 Million)

FY 1999 Plans: This budget item continues to fund the core administrative functions discussed above - coordination, publication, and distribution of the solicitations; monitoring and reporting on the DoD-wide operation of the program; and sponsorship of the national SBIR conferences. It also continues to fund the USD(A&T) initiatives to streamline the SBIR process (SBIR Desk Reference, SBIR Help Desk, SBIR Home Page). It will also fund the second stage of the Fast Track evaluation (see FY 1998 discussion). Finally, it will fund a new initiative launched by the USD(A&T) in February 1998 to: (1) develop and implement quantifiable, performance-based metrics of the SBIR program's effectiveness in spawning viable new products

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sold to DoD and others; and (2) systematically monitor the track record of multiple award winners in developing successful new products, and to use that track record in the SBIR proposal evaluation process. This program element includes funding for travel, including invitational travel, in support of the above activities. (\$1.799 Million)

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FY 2000 Plans: This budget item will continue to fund the core administrative functions and USD(A&T) initiatives to streamline the SBIR process, facilitate participation by new companies, track performance-based metrics of the SBIR program's effectiveness, and systematically monitor the track record of multiple award winners for use in the proposal evaluation process. It will also provide support for a new initiative, included in the FY 1999 Defense Authorization Act, to accelerate the transition of SBIR R&D into DoD acquisition programs. (\$1.713 Million)

FY 2001 - 2004: This budget item will continue to fund the core administrative functions (solicitations, monitoring of program expenditures and operations, national conferences), as well as initiatives, such as those discussed above, to streamline the SBIR process, facilitate participation by new companies, track metrics of the program's effectiveness, and increase the program's success in converting SBIR research into affordable, high-performance new products of benefit to DoD.

B. Program Change Summary

	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>Total</u> <u>Cost</u>
Previous President's Budget	1.738	1.820	1.713	Continuing
Appropriated Value	1.738	1.820		
Adj. to Approp. Value/President's Budget	(.129)	(.021)		
Current Budget Submit	1.609	1.799	1.713	Continuing

Change Summary Explanation:

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Funding: The change in funding in FY1998 and FY 1999 is the result of undistributed Congressional reductions.

Schedule: N/A

Technical: N/A

C. Other Program Funding Summary: N/A

D. Acquisition Strategy: N/A

E. Schedule Profile N/A

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